

An organization, whose primary activity is the operation of a parking stamp plan, whereby the patrons of the organization's members are afforded automobile parking privileges while shopping at members' stores, is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization is, under the circumstances set forth below, entitled to exemption from Federal income tax as a business league under the provisions of section 501(c)(6) of the Internal Revenue Code of 1954.

The organization is a nonprofit corporation without capital stock. The purpose of the organization, as set forth in its articles of incorporation, is to facilitate the parking of motor vehicles in the city of M. The corporation, whose membership consists mainly of merchants operating stores in the shopping district of the city, was formed to establish a park and shop plan in order to encourage shoppers to patronize the merchants who belong to the organization.

Under the plan, the corporation sells books of parking stamps to its members for a stated price plus a small additional fee for advertising purposes. The stores issue the stamps to their customers on the basis of the amount of purchases. The stamps are turned in by the customers at the participating automobile parking lot in lieu of a parking fee. The corporation redeems the stamps turned in to the parking lot operators from the corporation's redemption fund. A shopper who uses the facilities of a participating parking lot, but who either fails to patronize a member store or whose purchases at a member store are in an amount too small to entitle him to a parking stamp is required to pay the regular parking fee.

In order to apprise shoppers of the park and shop plan, the corporation places large advertisements in the city newspapers, listing therein the names and addresses of its member stores as well as the names and locations of the participating parking lots.

Placards are also displayed in prominent places in the stores and at the parking lots to identify them as participants in the plan.

The primary activity in which the corporation has engaged has been to sell stamp redemption books to merchants belonging to the corporation. Receipts are derived from sales of stamp books and membership dues. Disbursements are made for redemption of stamps, payment of advertising expenses, printing, and normal operating expenses.

Section 501(c)(6) of the Code describes certain organizations exempt from Federal income tax under section 501(a) of the Code as 'Business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder

or individual.'

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The operation of a parking stamp plan, as described above, is an activity directed at promoting the businesses of the organization's individual members in their individual capacities and, as such, is the performance of a particular service for such members rather than an activity directed to the improvement of business conditions generally, as required by the applicable regulations.

Accordingly, it is held that the organization in the instant case is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.